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CHARLES ELMORE

Supreme Court of the United States

OCTOBER TERM, 1931.

No. [redacted] 57

GENERAL ELECTRIC COMPANY AND
CARBOLOY COMPANY, INC.,
Petitioners,

v.

THE MARVEL RARE METALS COMPANY,
THE OHIO INSTRUMENT MANUFACTURING COMPANY,
CHARLES L. GEBAUER AND C. F. WILLIAM BATES,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SIXTH CIRCUIT AND BRIEF IN SUPPORT THEREOF.

CHARLES NEAVE,
LAWRENCE BRISTOL,
Counsel for Petitioners.

The Evening Post Job Printing Office, Inc., 154 Fulton St., New York, N. Y.

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Respondents.

PETITION FOR WRIT OF CERTIORARI.

TO THE HONORABLE THE SUPREME COURT OF THE UNITED STATES:

Your petitioners, General Electric Company and Carboloy Company, Inc., respectfully pray for a writ of certiorari to the United States Circuit Court of Appeals for the Sixth Circuit to review a decree and an order of that court entered March 11, 1932 and April 14, 1932 respectively. A certified transcript of the record in the case, including the proceedings in said Circuit Court of Appeals, is furnished herewith in accordance with Rule 38 of the rules of this court.

Summary Statement of the Matter Involved.

Petitioners seek to bring before this court for review decisions of the Circuit Court of Appeals for the Sixth Circuit denying a motion to dismiss an appeal taken, before the entry of final decree, from an order of the District Court dismissing a counterclaim, and reversing the order appealed from. The decision of the Sixth Circuit denying the motion to dismiss the appeal is in direct conflict with decisions in the Second Circuit, and the question involved has not been passed upon by this court.

The reversal of the order appealed from was made without the court having received or considered briefs or argument on the merits, and is in conflict with decisions of various lower courts on the important question whether a plaintiff in a suit in equity for patent infringement is deprived by Equity Rule 30 of his right under the provisions of Title 28, U. S. Code, § 109, to object to the maintenance of a counterclaim for infringement of a different patent, in a district where an independent suit in equity could not be maintained against him.

Your petitioners, General Electric Company and Carboloy Company, Inc.,[1] both New York corporations with their principal offices in the State of New York, filed their bill of complaint on May 22, 1931, in the United States District Court for the Northern District of Ohio, Eastern Division, against the respondents,[2] two Ohio corporations having regular and established places of business at Cleveland, Ohio, and two individuals, residents of Cleveland (Tr. p. 2). The bill charges infringement of patent rights of the plaintiffs, and asks an injunction and an accounting (Tr. pp. 2-6).

The defendants filed their joint answer setting up the defenses usual in patent suits (Tr. pp. 7-10) and asserting a counterclaim against the plaintiffs based on a different patent issued to one of the defendants (Tr. pp. 10-12). The

[1] Hereinafter referred to as plaintiffs.

[2] Hereinafter referred to as defendants.

counterclaim asked for an injunction against infringement of this patent and for an accounting (Tr. pp. 13 and 14), but no motion was ever made by the defendants for injunction *pendente lite.*

The plaintiffs moved to dismiss the counterclaim on the ground, among others, that the District Court had no jurisdiction thereof (Tr. p. 15). The counterclaim contained no allegation that the plaintiffs were inhabitants of the Northern District of Ohio, or that the plaintiffs had committed acts of alleged infringement and had regular and established places of business in the Northern District of Ohio (Tr. pp. 10-12). While that motion was pending, defendants moved for leave to amend their counterclaim, but without adding any allegations touching the jurisdictional question (Tr. pp. 16 and 17). The District Court permitted the amendment and dismissed the counterclaim (Tr. p. 18).

Within thirty days defendants took an appeal to the Circuit Court of Appeals for the Sixth Circuit from the order dismissing their counterclaim (Tr. pp. 29-33), purporting to do so under the provisions of Title 28, U. S. Code, Sec. 227 relating to appeals from interlocutory orders.

Thereupon plaintiffs moved in the Circuit Court of Appeals to dismiss the appeal on the ground that the order in question was not appealable until after the entry of final decree (Tr. pp. 39, 40). That court took the motion under advisement on briefs, without oral argument (Tr. p. 41), and on March 11, 1932, handed down an opinion and entered a decree (Tr. pp. 41, 42) denying the motion to dismiss the appeal, and summarily reversing the order appealed from without giving plaintiffs an opportunity to submit briefs or present oral argument on the merits.

Plaintiffs presented a petition for rehearing (Tr. pp. 43-52). The Sixth Circuit Court of Appeals filed the memorandum and entered the order of April 14, 1932 (Tr. pp. 53, 54) denying the petition for rehearing and setting forth its reasons for summarily reversing the order appealed from.

Reasons Relied on for the Allowance of the Writ.

The discretionary power of this court to grant a writ of certiorari is invoked upon the following grounds as set forth in Rule 38 of this court:

1. That the Circuit Court of Appeals for the Sixth Circuit, in holding that the dismissal of the defendants' counterclaim was appealable before the entry of final decree, has rendered a decision in conflict with the decisions of the Circuit Court of Appeals for the Second Circuit on the same issue, in *Allied Metal Stamping Co., Inc.* v. *Standard Electric Equipment Corporation,* 55 F. (2d) 221, and *Radio Corporation of America, et al.* v. *J. H. Bunnell & Co., Inc. et al.,* 298 Fed. 62.

2. That the Circuit Court of Appeals for the Sixth Circuit, in denying plaintiffs' motion to dismiss the appeal in the instant case in conflict with decisions on the same point by the Circuit Court of Appeals for the Second Circuit, has decided, erroneously as we believe, an important question of federal law which has not been, but should be, settled by this court, namely, whether an order dismissing a counterclaim is appealable under the provisions of Section 227 of Title 28 U. S. Code (formerly Section 129, Judicial Code), before entry of final decree.

3. That the Circuit Court of Appeals for the Sixth Circuit, in reversing the order of the District Court dismissing the respondents' counterclaim, has decided, erroneously as we believe, an important question of federal law which has not been, but should be, settled by this court, namely, whether a plaintiff who brings a suit in equity for patent infringement against a defendant in the district of which the defendant is an inhabitant, is deprived by Equity Rule 30 of his right under the provisions of the statute (28 U. S. Code,

Sec. 109) to object to the maintenance of a counterclaim for infringement of a different patent in that forum on the ground that the plaintiff is not an inhabitant of that district and is not alleged to have committed acts of infringement and to have a regular and established place of business therein.

WHEREFORE, your petitioners respectfully pray that a writ of certiorari be issued under the seal of this court directed to the United States Circuit Court of Appeals for the Sixth Circuit sitting at Cincinnati, Ohio, commanding said court to certify and send to this court on a day to be designated a full and complete transcript of the record and all proceedings of said Circuit Court of Appeals had in this cause, to the end that this cause may be reviewed and determined by this court; that the decree of said Circuit Court of Appeals be reversed; and that your petitioners be granted such other and further relief as may seem just and proper.

New York, N. Y., May 6, 1932.

GENERAL ELECTRIC COMPANY AND
CARBOLOY COMPANY, INC.,
By
CHARLES NEAVE
LAWRENCE BRISTOL
Counsel for Petitioners.

Supreme Court of the United States

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Respondents.

BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

The Opinions of the Courts Below.

The District Court for the Northern District of Ohio (Judge Paul Jones) wrote no opinion in granting petitioners'[1] motion to dismiss respondents'[2] counterclaim. The order entered will be found at page 18 of the transcript.

The first opinion of the Circuit Court of Appeals for the Sixth Circuit, filed on March 11, 1932, is printed at pages 41-42 of the transcript. It has not yet been reported.

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[1] Petitioners were plaintiffs in the District Court and are hereinafter referred to as plaintiffs.

[2] Respondents were defendants in the District Court and are hereinafter referred to as defendants.

The second opinion of the Circuit Court of Appeals for the Sixth Circuit, filed on April 14, 1932, is printed at pages 53-54 of the transcript. It has not yet been reported.

Jurisdiction.

1. The jurisdiction of this Court is invoked under Title 28 U. S. Code, Sec. 347.

2. The date of the decisions sought to be reviewed are March 11, 1932 (Tr. p. 41), and April 14, 1932 (Tr. p. 53).

3. The decisions below are in conflict, on an important question of federal law, with the decisions of the Circuit Court of Appeals for the Second Circuit in *Radio Corporation of America, et al.* v. *J. H. Bunnell & Co., Inc., et al.*, 298 Fed. 62, and *Allied Metal Stamping Co., Inc.* v. *Standard Electric Equipment Corporation*, 55 (2d) 221.

4. The decisions below are also in conflict, on another important question of federal law, with other decisions of other courts as follows:

Allied Metal Stamping Co. Inc. v. *Standard Electric Equipment Corporation*, 53 F. (2d) 646 (E. D. N. Y.); appeal dismissed 55 F. (2d) 221.

Ohio Brass Co. v. *Hartman Electrical Mfg. Co.*, 243 Fed. 629 (D. C. Ohio) and cases cited therein on page 630.

Durabilt Steel Locker Co. v. *Berger Mfg. Co.*, 21 F. (2d) 139 (D. C. Ohio), disapproved in the instant case (Tr. p. 54).

Parker Pen Co. v. *Rex Mfg. Co.*, 11 F. (2d) 533 (D. C. R. I.), cited, apparently with disapproval, in *Krentler-Arnold Hinge Last Co.* v. *Leman*, 13 F. (2d) 796.

Statement of the Case.

To avoid repetition reference is made to the petition for writ of certiorari, p. 2, *supra*, for a statement of the case.

Specification of Errors.

1. The Circuit Court of Appeals for the Sixth Circuit erred in denying plaintiffs' motion to dismiss defendants' appeal from the order of the District Court dismissing defendants' counterclaim.

2. The Circuit Court of Appeals for the Sixth Circuit erred in summarily reversing the order of the District Court appealed from.

POINT I.

The decision of the Sixth Circuit is in conflict with decisions of the Second Circuit as to the appealability, before final decree, of an order dismissing a counterclaim.

The statute under which the Circuit Court of Appeals for the Sixth Circuit assumed jurisdiction to hear the appeal in the instant case is Title 28 U. S. Code, Section 227. Its provisions, so far as applicable, are as follows:

> "§ 227. *Appeals in proceedings for injunctions and receivers.* Where, upon a hearing in a district court, or by a judge thereof in vacation, an injunction is granted, continued, modified, refused, or dissolved by an interlocutory order or decree, or an application to dissolve or modify an injunction is refused, * * * an appeal may be taken from such interlocutory order or decree to the circuit court of appeals; * * * The appeal to the circuit court of appeals must be applied for within thirty days from the entry of such order or decree, and shall take precedence in the appellate court; * * *."

These provisions were derived from Sec. 129 of the Judicial Code and the various amendments thereof.

The Circuit Court of Appeals for the Second Circuit in *Allied Metal Stamping Co. Inc.* v. *Standard Electric Equipment Corporation,* 55 F. (2d) 221, held, under the same statutory provisions, that an order dismissing a counterclaim, where no application for injunction *pendente lite* had been made, was not appealable until after final decree.

The provisions of this statute now in force are substantially identical with the provisions of Judicial Code, Sec. 129, which were in force in 1924 when the Circuit Court of Appeals for the Second Circuit in *Radio Corporation of America* v. *J. H. Bunnell & Co., Inc.,* 298 Fed. 62, decided the same question in the same way. This court denied a petition for a writ of certiorari to review that decision in the Second Circuit. 269 U. S. 565. In the *Allied Metal Stamping Co.* case, the Circuit Court of Appeals for the Second Circuit followed its previous decision in *Radio Corporation* v. *Bunnell.*

In the instant case the Circuit Court of Appeals for the Sixth Circuit has reached the opposite result, citing as its only authority its own previous decision in *Naivette Inc.* v. *The Philad Co.,* 54 F. (2d) 623. We quote from that opinion:

> "It is conceded that the order striking out the counterclaim was not final, but was interlocutory, and that the appeal therefore can rest only upon section 129 of the Judicial Code, being section 227 of title 28, USCA. The question is whether, in effect, an interlocutory injunction was refused. No motion for such injunction had been made by defendant; but, as the greater includes the less, striking out the counterclaim amounted to the advance denial of any such motion. Whether such action should be considered as a refusal to grant an interlocutory injunction, is not entirely clear, upon the language of the section. In a somewhat similar case in the Circuit Court of Appeals of the Second Circuit (*Radio Corp.* v. *Bunnell & Co.,* 298 F. 62), the right of appeal was denied; but in that case the prayer for injunction under the counterclaim seems to have been

rather incidental, and the dismissal of the counterclaim was not therefore characteristically a refusal of the injunction; while here the only equitable relief sought by the counterclaim was the injunction, and the dismissal of the counterclaim was, in ultimate effect, nothing but a denial of the injunction."

The attempt to distinguish *Radio Corporation* v. *Bunnell* is wholly specious. The Second Circuit pointed out the substantial identity of the two cases in its opinion in *Allied Metal Stamping Co.* v. *Standard,* 55 F. (2d) 221:

> "The case is ruled by our decision in *Radio Corporation of America* v. *J. H. Bunnell & Co.,* 298 F. 62. Since then the Circuit Court of Appeals for the Sixth Circuit has decided the other way in a substantially similar case, *Naivette, Inc.,* v. *Philad Co.* (C. C. A.) 54 F. (2d) 623, May 15, 1931. The question is whether the dismissal for jurisdictional reasons of a counterclaim praying an injunction is a refusal to grant an interlocutory injunction. Jud. Code § 129 (section 227, tit. 28, U. S. Code, 28 USCA § 227). Whatever we might think of this as a new matter, it does not seem to us that the question is so clear as to require us to overrule our former decision."

Though the *Allied Metal Stamping Co.* case and the *Radio Corporation* case were called to its attention in briefs (cf. Tr. p. 45), the Circuit Court of Appeals for the Sixth Circuit refrained from mentioning either in its opinions in the instant case.

The conflict goes to the jurisdiction of the Circuit Court of Appeals to entertain appeals from interlocutory orders.

The Second Circuit has refused to entertain interlocutory appeals of the type here in question. The Sixth Circuit has assumed, erroneously as we believe, to exercise appellate jurisdiction in such cases. The question is important and has not been passed upon by this court.

The jurisdiction of the Circuit Courts of Appeals is purely statutory. It does not rest on any question of convenience

or inconvenience to the appellate court or to the district court or to the parties litigant.

Prior to the act of March 3, 1891 (26 Stat. 828) the Circuit Courts of Appeals had no jurisdiction to review any interlocutory order or decree of the federal courts of original jurisdiction except as such interlocutory order might be brought up on appeal from final decree. *Winters* v. *Ethell*, 132 U. S. 207. By that act a novelty was introduced into federal procedure in authorizing appeals from interlocutory orders or decrees *granting* or *continuing* an injunction. As to the scope of the review thus authorized, this court said in *Ex Parte National Enameling Co.*, 201 U. S. 156, at 161, 162:

> "It will be noticed that the appeal is allowed from an interlocutory order or decree granting or continuing an injunction, that it must be taken within thirty days, that it is given precedence in the appellate court, that the other proceedings in the lower court are not to be stayed, and that the lower court may require an additional bond. Obviously that which is contemplated is a review of the interlocutory order, and of that only. It was not intended that the cause as a whole should be transferred to the appellate court prior to the final decree. The case, except for the hearing on the appeal from the interlocutory order, is to proceed in the lower court as though no such appeal had been taken, unless otherwise specially ordered. It may be true, as alleged by petitioners, that 'it is of the utmost importance to all of the parties in said cause that there shall be the speediest possible adjudication by the United States Circuit Court of Appeals as to the validity of all of the claims of the aforesaid letters patent which are the subject matter thereof.' But it was not intended by this section to give to patent or other cases in which interlocutory decrees or orders were made any precedence. It is generally true that it is of importance to litigants that their cases be disposed of promptly, but other cases have the same right to early hearing. And the purpose of Congress in this legislation was that there be an immediate review of the interlocutory proceedings and not an advancement generally over other litigation."

In addition to the Second Circuit cases already referred to, the Circuit Court of Appeals for the Eighth Circuit in *Pierce* v. *National Bank of Commerce,* 282 Fed. 100, and the Circuit Court of Appeals for the Seventh Circuit in *Magnetic Manufacturing Co.* v. *Dings Magnetic Separator Co.,* 37 F. (2d) 709, have refused to entertain appeals where the order in question did not directly grant or refuse an injunction.

In the *Pierce* case the court distinguished sharply between that part of an interlocutory decree which denied an application for a temporary injunction and that part of the same order which struck out certain parts of the defendant's cross-complaint. It declined to review on appeal that part which struck out a portion of the cross-complaint; and an examination of the record on appeal (*Pierce* v. *National Bank of Commerce,* 282 Fed. 100) shows that the entire cross-bill was stricken out by the District Court for insufficiency. The cross-bill prayed an accounting, a marshalling of securities, and an injunction restraining the plaintiff from attempting to enforce payment of a judgment recovered against the defendant in another suit, and from prosecuting a suit against the surety on a supersedeas bond, and from making any application for cancellation of the license of the surety company to do business in Missouri.

In the *Magnetic Manufacturing Co.* case in the Seventh Circuit, the District Court had denied a petition for rehearing and for leave to file a supplemental answer on the basis of newly discovered evidence. The defendant, who was already under injunction, attempted to appeal under Title 28 U. S. Code, § 227. The Seventh Circuit Court of Appeals dismissed the appeal, saying, 37 F. (2d) 709 at 710:

> "What relief might have been considered, if the rehearing had been granted, it is unnecessary to determine, because, until a rehearing was granted, no other question could have been considered, and no other question was considered. That appellant did not expect the court to do more, on its petition for rehearing, than to grant the rehearing, is undeniable, because the first prayer of the petition is that appellant be permitted to file a sup-

plemental answer, therewith submitted, to the original complaint. The submitted answer pleaded the matters set up in the petition for a rehearing."

Thus the Second, Seventh and Eighth Circuits have declined to hear appeals from interlocutory orders which do not directly grant or refuse injunctions.

The Sixth Circuit has cited *Kelsey Wheel Co.* v. *Universal Rim Company,* 296 Fed. 616, 620, as a case analogous to the situation before it in *Naivette* v. *Philad,* 54 F. (2d) 623. The analogy is false, however, in that the *Kelsey* case involved an appeal in a patent case from an interlocutory decree made after final hearing which sustained some claims of a patent and granted an interlocutory injunction thereon and held other claims of the same patent invalid and dismissed the bill as to them. In that case the plaintiff had sought at final hearing to have an injunction issued against infringement of all of the claims in suit; and the District Court had granted the injunction as to some claims and refused it as to others. Both aspects of the decree were therefore fairly within the scope of § 129 of the Judicial Code and the Circuit Court of Appeals had jurisdiction to review both aspects of the decree, provided the parties took their appeals within the thirty-day period.

Section 129 of the Judicial Code or Section 227 of Title 28, U. S. Code, as it stands at the present time, is bilateral: The party applying for an injunction has an appeal if his application is denied; the opposite party has an appeal if the application is granted.

The granting of a temporary restraining order, however, is not appealable under § 129. *Peck* v. *Carter,* 223 Fed. 638 (9th C. C. A.); *Schainmann* v. *Brainard,* 8 F. (2d) 11 (9th C. C. A.).

Equity Rule 73 and 28 U. S. C. § 381 are entitled "Preliminary Injunctions and Temporary Restraining Orders". Both provide that no preliminary injunction shall be issued without notice to the opposite party. Both provide that temporary restraining orders may be granted without notice to

the opposite party under certain conditions, the gist of which is that the party placed under restraint shall have the right to a speedy hearing and the matter of the issuance of a preliminary injunction shall be set down for a hearing at the earliest possible time. Other sections of the same statute recognize and differentiate injunctions and temporary restraining orders, *e. g.*, 28 U. S. Code, §§ 378, 380, 382 and 383. But § 227 makes no reference to a temporary restraining order. The reason is obvious. Temporary restraining orders should be disposed of promptly by the District Courts and should be followed either by the granting or refusal of preliminary injunctions. In such a case the defeated party has an interlocutory appeal under § 227.

When the temporary restraining order—the first step in an application for injunction—is not appealable, how can there be an appeal where no step at all has been taken?

In the instant case no application for a preliminary injunction was ever made by the defendants. No notice was ever given to the plaintiffs, no hearing was ever had on any application for injunction. In short, nothing has been done which would bring the order appealed from within the purview of § 227.

The proceedings which led up to the order in question were plaintiff's motion to dismiss the counterclaim, and defendant's motion to amend the counterclaim. Both motions were granted. The granting of the motion to dismiss the counterclaim was neither the refusal nor the granting of an injunction; and if the decision had been the other way it likewise would not have been the granting or refusal of an injunction.

It is therefore respectfully submitted that this court should grant a writ of certiorari to correct the error of the Circuit Court of Appeals in denying plaintiff's motion to dismiss defendant's appeal, and to decide the conflict on this important question of jurisdiction between the Sixth Circuit and the Second Circuit.

POINT II.

Widespread conflict of decision as to the effect of Equity Rule 30 on Title 28, U. S. Code, § 109 makes a review by this court desirable.

There has been and still is widespread conflict of decision as to the right of a plaintiff in a patent suit in equity to object to the maintenance by the defendant therein of a counterclaim for infringement of a different patent, where the plaintiff is not alleged to be an inhabitant of the district or to have committed acts of infringement and to have a regular and established place of business therein.

In the instant case the Sixth Circuit Court of Appeals reversed the District Court summarily on plaintiffs' motion to dismiss defendants' appeal (Tr. p. 41), without receiving briefs on the merits and hearing argument in open court as provided for in its own rules (Tr. pp. 43-47, 53, 54). It did so on the authority of a case in which the question was not and could not have been presented. It apparently gave scant consideration to the fact that the interpretation which it placed upon Equity Rule 30 brings that rule into contravention with existing provisions of statute (Tr. p. 53).

Title 28, U. S. Code, § 109 (formerly Judicial Code § 48), provides:

> "§ *109. Patent cases.* In suits brought for the infringement of letters patent the district courts of the United States shall have jurisdiction, in law or in equity, in the district of which the defendant is an inhabitant, or in any district in which the defendant, whether a person, partnership, or corporation, shall have committed acts of infringement and have a regular and established place of business."

Equity Rule 30, so far as here material, provides:

> "The answer must state in short and simple form any counterclaim arising out of the transaction which is the subject-matter of the suit, and may, without cross bill,

> set up any set-off or counterclaim against the plaintiff which might be the subject of an independent suit in equity against him, and such set-off or counterclaim, so set up, shall have the same effect as a cross-suit, so as to enable the court to pronounce a final decree in the same suit on both the original and the cross-claims."

The lower courts are in extensive conflict as to whether Equity Rule 30 enables a defendant to maintain a counterclaim which he could not maintain as an independent suit against the plaintiff's objection based on Title 28 U. S. Code, § 109.

As the most recent instances of this conflict, aside from the instant case, we cite:

Allied Metal Stamping Co. Inc. v. *Standard Electric Equipment Corporation,* 53 F. (2d) 646 (E. D. N. Y.); appeal dismissed 55 F. (2d) 221. That case dismissed such a counterclaim.

Rhodes-Hochriem Manufacturing Co. v. *International Ticket Scale Corporation,* F. (2d) (D. C. Del.); decided April 6, 1932, and published in the United States Daily, April 30, 1932, page 4. That case denied a motion to dismiss such a counterclaim on this ground, though the motion was granted on another and entirely different ground.

For an extended list of the conflicting decisions, see *Parker Pen Co.* v. *Rex Manufacturing Co.,* 11 F. (2d) 533, at 536; *Ohio Brass Co.* v. *Hartman Electrical Mfg. Co.,* 243 Fed. 629, at 630; *Durabilt Steel Locker Co.* v. *Berger Mfg. Co.,* 21 F. (2d) 139.

No rule of court is competent to destroy the rights of a defendant under a statute. As this court said in *Washington-Southern Co.* v. *Baltimore Co.,* 263 U. S. 629, at 635:

> "But no rule of court can enlarge or restrict jurisdiction. Nor can a rule abrogate or modify the substantive law. This is true, whether the court to which the rules apply be one of law, of equity or of admiralty. It is true of rules of practice prescribed by this Court for inferior tribunals, as it is of those rules which lower courts make for their own guidance under authority conferred."

The Federal Equity Rules were promulgated by this court under the authority conferred by §§ 913 and 917 of the Revised Statutes (Title 28 U. S. Code, §§ 723, 730) and the rule-making power there conferred was expressly limited to matters "not inconsistent with any law of the United States".

The Circuit Court of Appeals for the First Circuit in *Krentler-Arnold Hinge Last Co.* v. *Leman,* 13 F. (2d) 796, at 801, has signified its acceptance of the view that by the very bringing of suit a plaintiff waives his statutory right to object to the maintenance of a counterclaim for a cause of action which could not be maintained in that district as an independent suit in equity. The actual decision, however, was founded on the fact that the plaintiff had filed an answer to the counterclaim and submitted to a trial and decision of the case upon its merits and had failed to take any action seeking to raise the question of jurisdiction until some seven or eight months after the trial, and had thereby waived any right it might have had to object to being sued on the counterclaim (13 F. (2d) at 801, 802).

This court has said, in *Leman* v. *Krentler-Arnold Hinge Last Co.,* U. S. 76 L. Ed. (Adv. Ops.) 336, at 338, a contempt proceeding growing out of the above case in the First Circuit:

> "When the respondent brought the suit in the Federal District Court for the District of Massachusetts, it submitted itself to the jurisdiction of the court with respect to all the issues embraced in the suit, including those pertaining to the counterclaim of the defendants, petitioners here. Equity Rule 30. See Langdell, Eq. Pl. chap. 5, § 119; *Frank L. Young Co.* v. *McNeal-Edwards Co.* 283 U. S. 398, 400, 75 L. ed. 1140, 1141, 51 S. Ct. 538."

The same waiver of the right to object to the jurisdiction was present and controlling in the case in this court, as in the case in the First Circuit.

The Sixth Circuit in *Naivette Inc.* v. *Philad,* 54 F. (2d) 624, has indicated its view that Equity Rule 30 is to be given the broadest scope. (The decision referred to is separate and

distinct from the decision referred to under Point I, which is reported at 54 F. (2d) 623.) The question as to the maintainability of a counterclaim, which the present petition seeks to have reviewed, was not presented and could not have been presented on the facts in *Naivette Inc.* v. *Philad,* 54 F. (2d) 624. In that case both plaintiffs were Ohio corporations having their principal places of business at Cleveland, Ohio, and they brought their suit in the District Court for the Northern District of Ohio, Eastern Division, in which Cleveland is situated. The defendant asserted a counterclaim asking for injunctive relief. The defendants did not and could not object to the Northern District of Ohio as the proper district, for that was the very district prescribed by Title 28 U. S. Code, §§ 41, 109, 112, in which any independent suit in equity could be maintained against them. The sole ground of objection made was that the cause of action set forth in the counterclaim was not germane to the cause of action set forth in the plaintiff's bill of complaint.

When the Sixth Circuit Court of Appeals said in its opinion in the instant case (Tr. p. 42):

> "In No. 6074 the situation is therefore identical with that confronting the court in *Naivette, Inc.* v. *The Philad Co.,* 54 F. (2d) 623, and no sound reason has been presented why the court should not follow the same course as was there pursued. The motion to dismiss is therefore denied, the order of the District Court dismissing the counterclaim is reversed, and said cause is remanded to permit all issues to be disposed of in the original proceeding."

it extended its decision in the *Naivette* case beyond the facts there involved and applied it as controlling authority on a question which was not and could not have been presented in that case. Furthermore, it did so summarily and without affording the plaintiffs opportunity to submit briefs on the question. It is submitted that such action taken in such a summary way is error and should be reversed.

This court in *Leman* v. *Krentler-Arnold* referred to Langdell's Equity Pleading, c. 5, § 119. There would seem to be a typographical error in the citation which probably should be § 149. It is of course true, as Langdell there says, that the best defense may sometimes be an attack, and to make an attack a defendant must resort to a cross-bill. The statutory provisions as to jurisdiction over cross-bills in England (and Langdell's Equity Pleading deals largely with English cases) have no application in the United States. Nor does Langdell go into any question of jurisdiction such as is presented in the instant case. However desirable it might seem, on purely theoretical considerations, to allow a defendant to make his attack by counterclaim, the existing provisions of statute as to jurisdiction must nevertheless be followed until they are changed by Act of Congress.

Frank L. Young Co. v. *McNeal Edwards Co.*, 283 U. S. 398, cited by this court in *Leman* v. *Krentler-Arnold*, upheld the constitutionality of a Massachusetts statute which provided that a non-inhabitant of the commonwealth who brought an action in the state should be held to answer any action brought against him by the defendant if the demands were of such a nature that the judgment in the one case might be set off against the judgment in the other, and authorized service of process on the attorney of record for the plaintiff in the original action. Under that statute and the Conformity Act this court held that the United States District Court in Massachusetts had acquired jurisdiction over a Virginia corporation which had brought an action at law in Massachusetts and thereby subjected itself to the cross action at law, process in the latter action having been served on the attorneys of record for the Virginia corporation in its original action. Though this court referred to the policy of the Massachusetts statute as embodied in Equity Rule 30, we point out that the actions were at law, and that jurisdiction over the Virginia corporation depended not upon a rule of court but upon a Massachusetts statute. In the instant case no federal statute gave jurisdiction in equity to the District Court for the Northern District of Ohio with respect to defendants' counterclaim. However desirable the policy of the

Massachusetts statute may be for application to suits in equity in the federal courts, the establishment of that policy is a matter for congressional action and cannot lawfully be accomplished by a court rule.

Under the federal statute a person charged with infringement of a patent is entitled to have that charge tried either in the district of which he is an inhabitant or the district in which he has committed acts of infringement and has a regular and established place of business. The fact that the charge of infringement is made in a counterclaim instead of in an original suit, does not make the statute inapplicable. If Equity Rule 30 be interpreted so as to make the statute inapplicable when the charge of infringement is presented in a counterclaim, then the rule contravenes the statute and is *ipso facto* void.

The instant case is devoid of any suggestion of waiver on the part of the plaintiffs of their statutory right to insist that defendant's charge of infringement against them be litigated in the proper district. In *Leman* v. *Krentler-Arnold,* as pointed out above, there was a waiver by plaintiff's affirmative action of its statutory right. The same is true of the First Circuit decision in *Krentler-Arnold* v. *Leman,* 13 F. (2d) 796. In the Sixth Circuit case *Naivette* v. *Philad,* 54 F. (2d) 624, the question did not arise because the defendant had no right under the statute to object to the jurisdiction as the district in which the counterclaim was asserted was the district specified by the statute.

American Mills Co. v. *American Surety Co.,* 260 U. S. 360, is quite generally cited in the decisions touching the question here in issue. That case, however, drew the distinction between counterclaims which *must* be set up because they arise out of the transaction which is the subject-matter of the suit, and counterclaims which *may* at the defendant's option be set up. The holding was that since the defendant, by its affirmative action, had set up a counterclaim which it was not obliged to under Equity Rule 30, it had waived its previous objection to the maintenance of the original suit in equity. There is nothing in the case touching the right of the plaintiff to assert his statutory objection to the main-

tenance of a counterclaim in a district in which he is not suable.

In *Wire Wheel Corporation* v. *Budd Wheel Co.,* 288 Fed. 308 (4th C. C. A.), a suit for patent infringement, a counterclaim was set up charging the plaintiff with infringement of a different patent. The parties went to trial on both the bill and the counterclaim. The Fourth Circuit Court of Appeals treated the two practically as separate suits and there is no discussion of the specific question of jurisdiction which is presented in the instant case.

The Sixth Circuit Court of Appeals has disapproved the decision of Judge Westenhaver in *Durabilt Steel Locker* v. *Berger,* 21 F. (2d) 139, primarily on the authority of its own decision in *Naivette* v. *Philad,* 54 F. (2d) 624, which did not and could not present the jurisdictional question.

It is therefore submitted that an authoritative determination of this important question of federal law by this court is necessary and that the instant case presents the jurisdictional question free from any complication of waiver of the objection to the jurisdiction by affirmative action on the part of the plaintiffs.

CONCLUSION.

The writ of certiorari should be granted to review the decree of the Circuit Court of Appeals for the Sixth Circuit in the instant case and said decree should be reversed on the grounds (1) that the order of the District Court dismissing defendant's counterclaim was not appealable until after the entry of final decree; and (2) that the provisions of Equity Rule 30, when properly interpreted, preserve the statutory right of the plaintiffs to have the cause of action set up in the counterclaim litigated in the proper district.

Respectfully submitted,

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